



# **Conservation District Annual Audit Module X**

# **What you will learn in this module**

- What is an audit?
- Why have an audit?
- Kansas Conservation District audit requirements.
- Ensuring a successful audit.

# What is an Audit?

- An external audit is an examination of the financial records and supporting documents by an independent third party which results in the publication summarizing the findings.
- The examination consists of procedures and tests to gain sufficient and appropriate audit evidence to verify the fairness (accuracy) of financial statements and other information.

# Why Have an Audit?

- It is required by law. Audit requirements of conservation districts are governed by two Kansas statutes.
- The district board is accountable for safeguarding the district's financial resources, and the audit is a fundamental part of this responsibility of handling public funds.

# Why Have an Audit?

- Audits assist with:
  - Assuring records and information are accurate and complete.
  - Detecting and preventing errors or mistakes.
  - Detecting and preventing intentional misstatement or omission of significant information.
  - Ensuring proper accounting procedures have been followed.
  - Ensuring funds have been managed according to applicable federal & state laws.

# **Kansas Conservation Districts Audit Requirements**

- Two state statutes pertain to conservation district audits.
  - An annual audit of conservation district accounts, receipts and disbursements is required by K.S.A. 2-1901 et seq. (Conservation District Law).
  - Conservation districts having an annual combined receipts totaling in excess of \$275,000 are subject to K.S.A. 75-1117 et seq. (Municipal Audit Statutes).

# **Kansas Conservation Districts**

## **Audit Requirements**

- Both state statutes require:
  - An annual audit performed by a Certified Public Accountant (CPA) licensed to practice in Kansas.
    - The amount charged for audits varies widely so check with other districts and take bids.
    - Ask auditors if their audits include coming to the district board meeting to present their findings.
    - Districts should develop a working relationship with the auditor.

(cont.)

# Kansas Conservation Districts

## Audit Requirements

- The *Guidelines For Audits of Conservation Districts* in the *Kansas Municipal Audit Guide (KMAG)* should be followed by the CPA.
- The audit with recommendations, if any, and the Division of Conservation (DOC) Notification of Conservation District Audit Review, are submitted to the DOC within one year after the end of the audit period, Jan. 1.
  - State Aid to Conservation Districts (matching funds) will be withheld from a district until the appropriate audit is received by the DOC.



# Kansas Conservation Districts

## Audit Requirements

- To satisfy the statutory audit requirement in the Conservation District Law, the district must annually have either:
  1. A Generally Accepted Auditing Standards (GAAS) Audit.
    - Standards for auditors set by their professional organization.
  2. An Agreed-Upon Procedures.
    - Customized specifically for Kansas Conservation Districts, however is not considered a “true” audit.

# Kansas Conservation Districts

## Audit Requirements

	<u>GAAS Audit</u>	vs. <u>Agreed-Upon Procedures</u>
Amount of Work Involved	More Extensive	Less Extensive
Type of Report	Opinion on Financial Statements	Findings Resulting from Performance of Agreed-Upon Procedures
Assurance Provided on Accuracy of Financial Statements	More	Less

# **Kansas Conservation Districts**

## **Audit Requirements**

- Conservation districts having annual gross receipts in excess of \$275,000, must follow the Municipal Audit Statutes.
  - Must utilize procedures conforming to Generally Accepted Accounting Principals (GAAP) unless granted a waiver by the Director of Accounts and Reports.
    - Prior to requesting the waiver, the conservation district board must pass an annual resolution to waive the GAAP. Submit minutes with request.

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# Kansas Conservation Districts

## Audit Requirements

- Submit a copy of the audit report with recommendations, if any, along with the filing fee of \$150 to the Director of Accounts and Reports within one year after the end of the audit period.
- Visit the Municipal Services website for more information on fees at [http://www.da.ks.gov/ar/muniserv/Fee Schedule.htm](http://www.da.ks.gov/ar/muniserv/Fee%20Schedule.htm) and for GAAP waiver procedures, <http://www.da.ks.gov/ar/muniserv/GaapWaiverProcedures.htm>

# **Kansas Conservation Districts Audit Requirements**

- Conservation districts with annual receipts totaling less than \$275,000 are subject to an additional provision (K.S.A. 1125) in the Municipal Audit Statute.
  - Electorate petitioning an audit: 20% or more of those who voted in the last election of supervisors may file a written petition with the conservation district board requesting a GAAS audit, specifying a period of time.

# Ensuring a Successful Audit

- The district board should make special effort to have a complete set of accounting records and supporting information available to the auditor.
  - The district board members are responsible for financial management and records.
  - District board members have to be involved in the district's financial records and ensure that funds are expended properly and that good records are maintained.

# Review Question

1. The audit is the annual summary of the district's activities.

*True or False?*

# Review Answer

1. The audit is the annual summary of the district's activities.

*False. It is an examination of the financial statements which results in the publication summarizing the findings.*



# Review Question

2. Audits assist with:
  - a. Assuring records and information are accurate and complete.
  - b. Detecting and preventing errors or mistakes.
  - c. Ensuring funds have been managed according to applicable federal and state laws.
  - d. All of the above.

# Review Answer

2. Audits assist with:
  - a. Assuring records and information are accurate and complete.
  - b. Detecting and preventing errors or mistakes.
  - c. Ensuring funds have been managed according to applicable federal and state laws.
  - d. All of the above.

***d. All of the above.***

# Review Question

3. A Certified Bookkeeper may perform the audit.

*True or false?*

# Review Answer

3. A Certified Bookkeeper may perform the audit.

*True or false?*

***False. The audit must be performed by a Certified Public Account (CPA), licensed to practice in Kansas.***

# Review Question

4. The audit and Notification of Conservation District Audit Review are submitted to the DOC within one year after the end of the audit period, Jan. 1.

*True or False?*

# Review Answer

4. The audit and Notification of Conservation District Audit Review are submitted to the DOC within one year after the end of the audit period, Jan. 1.

*True or False?*

***True.***

# Summary

Annual audits performed by a CPA are required of every conservation district as they are entrusted with public funds. The conservation district board is responsible for complete and accurate financial records and supporting information. The auditor will not review every transaction, but will test a sample of the various transactions. Conservation districts having annual receipts totaling less than \$275,000, may choose to have either a GAAS Audit or Agreed-Upon Procedures. Those districts having annual receipts in excess of \$275,000 must follow Municipal Audit Statutes.

# Resources Available

- **Resources**

- *Kansas Conservation District Handbook, Administrative Section, Chapter 5*
- *Kansas Conservation District Supervisors Handbook, Chapter 3*
- SCC Staff:  
Max Foster

- **Where to find**

- Located in each district office and on the State Conservation Commission website, registered section: [www.scc.ks.gov](http://www.scc.ks.gov)
  - Located in each district office, each supervisor should have a copy, and on the State Conservation Commission website:  
[www.scc.ks.gov](http://www.scc.ks.gov)
- 785.296.3600  
[max.foster@kda.ks.gov](mailto:max.foster@kda.ks.gov)